

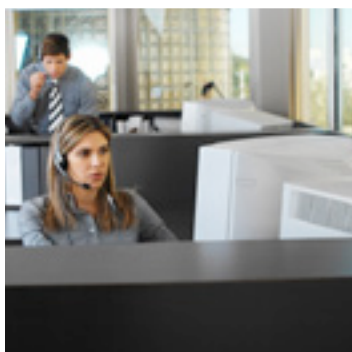
2011

ANNUAL REPORT



re-entry

The act of entering again; return - the act of going back to a prior location.



PEN
PRODUCTS
Paxon Enterprises Network

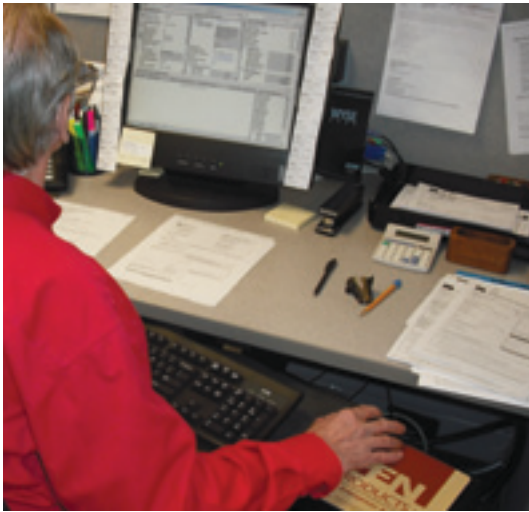


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restart

To start again or anew. To begin operation again.



recreate

To impart fresh life to; refresh mentally or physically.

Indiana Department of Correction

Vision

As the model of public safety, the Indiana Department of Correction returns productive citizens to our communities and supports a culture of inspiration, collaboration, and achievement.

Mission

The Indiana Department of Correction advances public safety and successful re-entry through dynamic supervision, programming, and partnerships.



Message from the Department of Correction Commissioner



Greetings:

I continue to be proud of the PEN Products accomplishments. I commend PEN on their innovative approach to increasing offender jobs and challenge PEN to continue to find cost savings for the state. PEN Products, itself, is the only self-funded re-entry program for the Indiana Department of Correction.

I applaud PEN Products for their implementation and sustained growth of the U.S. Department of Labor Apprenticeship Program. PEN is providing offenders an opportunity to earn a viable work certificate issued by the U.S. Department of Labor. PEN is a national leader in the Apprenticeship program and has been recognized by the U.S. Department of Labor as a model best practice in correctional industries.

PEN Products continually finds ways to increase offender jobs in our correctional facilities. These jobs through sales of products, partnerships with private sector companies and through the commissary operation provide opportunities for offender workers to learn a valuable work ethic, earn USDOL Apprenticeships, and prepare them for a successful re-entry back to the community.

I commend the PEN Products staff for their efforts, serving Indiana government and Hoosier taxpayers. Director Mike Herron and the PEN Products staff are doing their part by providing valuable products to Indiana government, saving the taxpayers of Indiana many dollars, while teaching jobs skills and preparing offenders for re-entry.

Sincerely,

Bruce Lemmon
Commissioner



reform

To improve by alteration, correction of error, or removal of defects.

PEN Products

Vision

PEN Products workers positively impact the recidivism rate.

Mission

PEN Products equips offenders for successful re-entry through meaningful work while operating in a self-sustaining manner.



Acts 1917, Chapter 83, Sec. 1, Page 237, authorizes prisons in the State of Indiana to manufacture "articles and products as may be found practical" for use by the state, its institutions and political divisions and to sell the surplus upon the market. Indiana Department of Correction was established in Acts 1961, Chapter 343, Sec. 3, Page 1051. Under this Act, the Division of Industries and Farms was created to administer the operation of offenders who produce goods and services for sale to state agencies and residents of Indiana.

Indiana Code 1991, 11-10-6-2 Sec. 2. (a) The Department shall establish, maintain, and operate industry and farm programs for offenders assigned to equip the participant with a marketable skill which will provide to participant a means of earning a livelihood upon the participant's return to the community...

The Division of Industries and Farms changed its name to PEN Products in November of 1993.

Indiana Code 1998, 5-22-11, mandates that all state agencies and political subdivisions of the state shall purchase from the Department goods produced or manufactured by the Department as listed in the department's printed catalogue, providing those goods meet the specifications and needs of the purchasing governmental body and can be purchased at a fair market price.

Message from the Director



Greetings:

Offender work assignments provide offenders with opportunities to earn responsibility, obtain a work ethic, acquire marketable job skills and develop a sense of self-worth. Over 97% of Indiana's incarcerated population returns to our communities. Upon release, we want them to be equipped to find a job and remain law abiding citizens. However, there are more offenders than PEN Products has work assignments. PEN Products remains optimistic that we can continue to grow offender jobs through the growth of joint ventures, traditional industries and our commissary/distribution businesses.

In 2011, PEN Products continued streamlining of operations in order to run more efficiently. PEN Products continues to serve the Department of Correction, Indiana government, the taxpayers of Indiana and the offenders with the Department of Correction.

PEN Products continues its efforts to prepare offenders for re-entry by enrolling and graduating offenders in the U.S. Department of Labor Apprenticeship program. Additional efforts in Job Placement, Career Resource Centers and Job Clubs have been implemented within PEN Products.

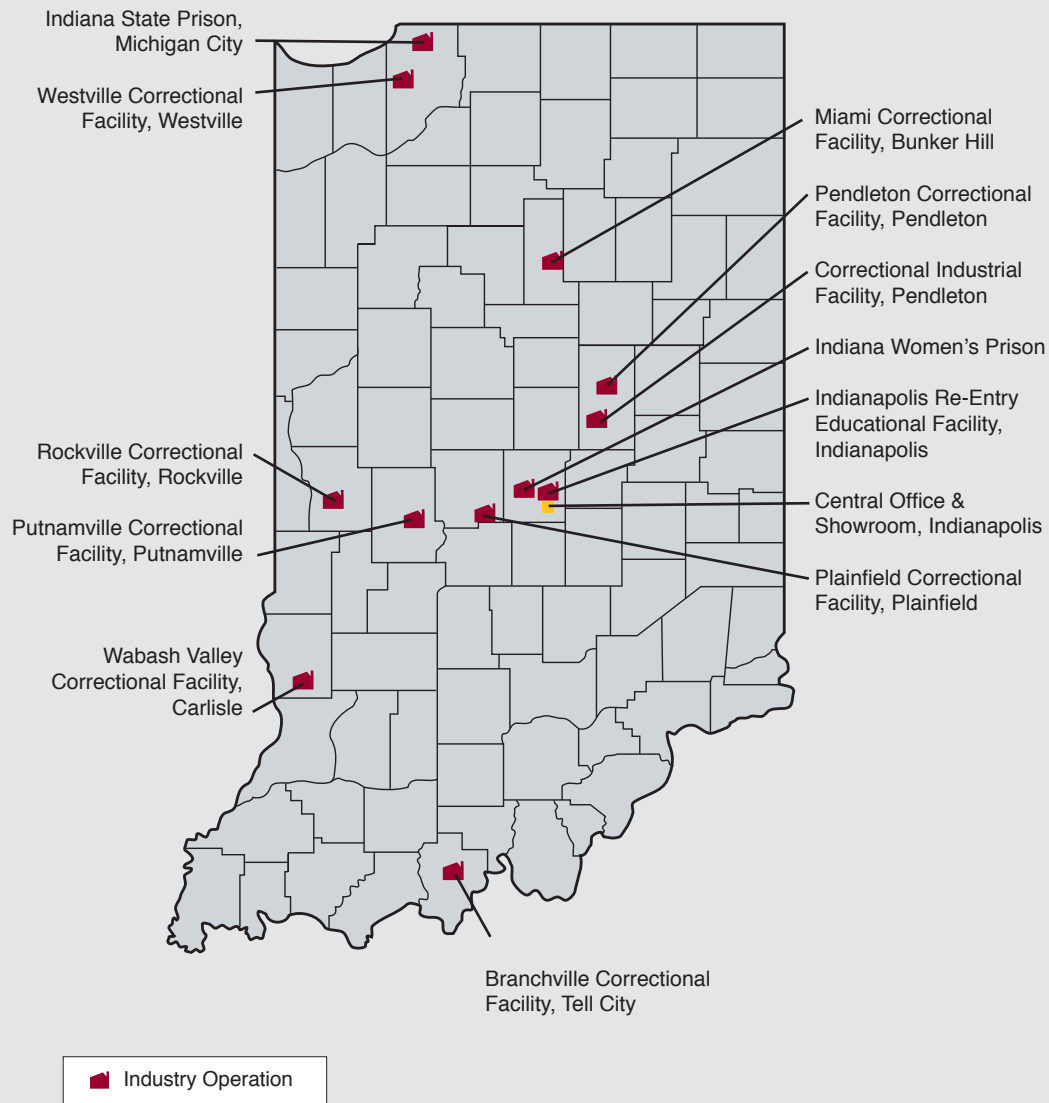
My thanks goes out to our loyal customers, without your business and continued support, nothing would have been possible. We value your business and the opportunity to serve you in the future.

A special thanks go out to our dedicated staff, whose service is not gone unrecognized.

Sincerely,

Mike Herron
Director

Industry Locations



review

To look over, study, or examine again.

Products & Services

Branchville Correctional Facility

- Pallet Repair (JV)
- Toilet Tissue

Correctional Industrial Facility

- Automotive Part Refurbishing (JV)
- Medical Device Refurbishing (JV)
- Laundry

Indiana State Prison

- Cell Doors
- Digital License Plates
- Metal Lockers and Shelving
- Metal Storage Cabinets
- Outdoor Grills
- Security Beds
- Work Crews

Indiana Women's Prison

- Hand Sewing (JV)

Indianapolis Re-Entry

Educational Facility

- Moving Crew
- Administrative Support

Miami Correctional Facility

- Offender Clothing
- Janitorial Products
- Laundry Products
- Wire Harness (PIECP)
- Warewash Products
- Packaging (JV)
- Industrial Filters (PIECP)
- Embroidered Products
- Silk Screen Products
- Braille Transcription

Pendleton Correctional Facility

- Chairs
- Dormitory Furniture
- Office Furniture
- Lounge Furniture

Plainfield Correctional Facility

- Commercial Laundry
- Commissary
- Fulfillment
- Distribution Center

Putnamville Correctional Facility

- Pallet Repair (JV)
- Park Furniture
- Picnic Tables
- Shelter Houses

Rockville Correctional Facility

- Mattresses
- Offender Clothing

Wabash Valley Correctional Facility

- Printing Services including:
 - Full Color Process,
 - NCR Forms,
 - Envelopes,
 - Validation Stickers, and
 - Temporary License Plates
- Sewing (PIECP)
- Wire Harness (PIECP)

Westville Correctional Facility

- Highway Signs
- Pallet Repair (JV)
- Plastic Recycling (JV)



Please note the following:

PIECP = Prison Industries
Enhancement
Certification Program

JV = Joint Venture

redirect

To direct (someone or something)
to a different place or by a different route.

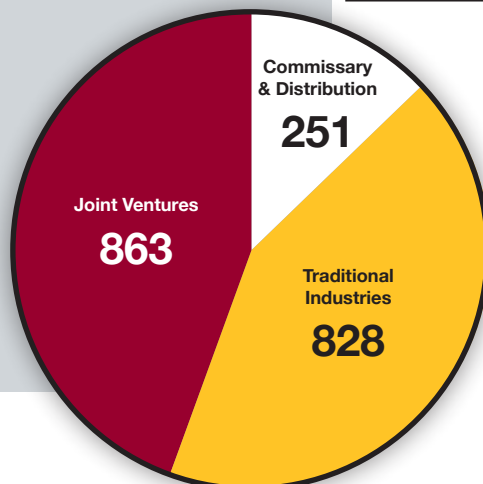
Offender Employment

By Location

<u>CORRECTIONAL FACILITY</u>	<u>NUMBER OF OFFENDER JOBS*</u>
Branchville	54
Correctional Industrial Facility	262
Indiana State Prison	105
Indiana Women's Prison	9
Miami	524
Pendleton	53
Plainfield	328
Indianapolis Re-Entry Educational Facility	29
Putnamville	100
Rockville	71
Wabash Valley	189
Westville	218
Grand Total	1,942

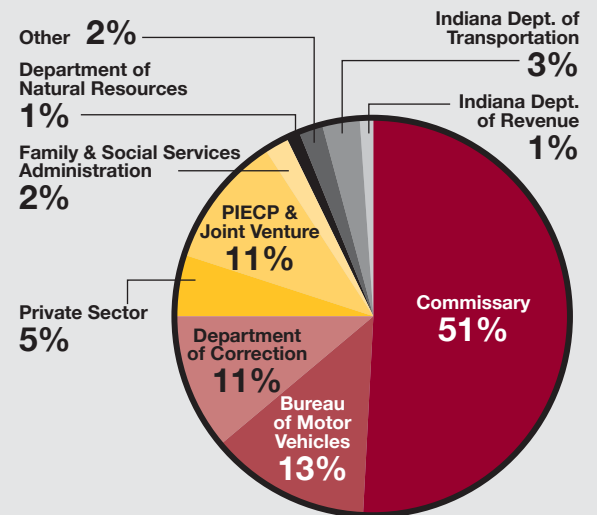
* Offender Information System (OIS)

By Business Group

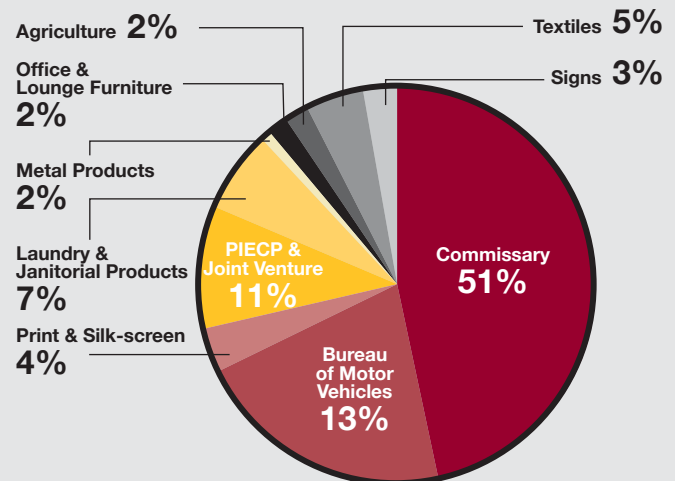


Fiscal Year 2011 Sales

By Customer



By Product Line



(For the 12 months ending June 30th)

* General issue license plate renewal year.

recommend

To praise or commend (one) to another as being worthy or desirable; endorse.

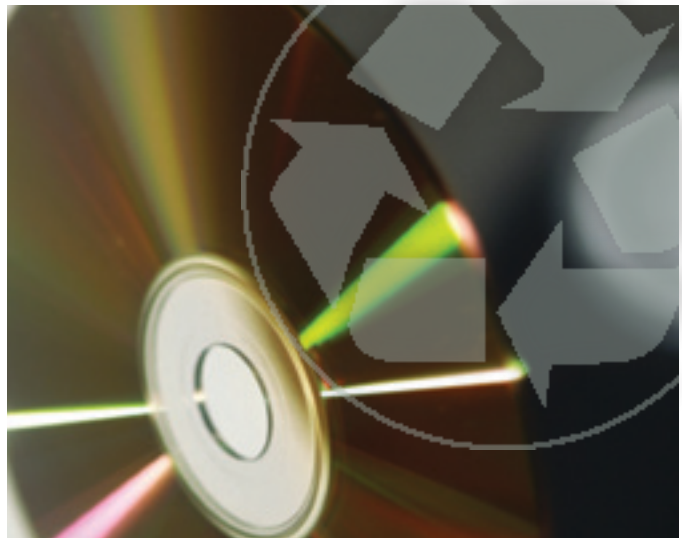
Accomplishments

Miami Accessible Media Project Awarded Grant

On September 16, 2010, PEN Products was awarded a \$726,450 grant under the Second Chance Act Technology Careers Training Demonstration Projects for Incarcerated Adults and Juveniles. This one year project will expand the depth of training capabilities in the MAMP and add a post-release component to transition services, including small business/self-employment mentoring assistance through non-profit collaborations.

New Operations

December 2010, at the Westville Correctional Facility a partnership with a plastics recycling company added nearly 100 jobs at start up. When the operation is in full operation mode it will offer 300 offender jobs at the Westville location. This green operation takes post consumer plastics, sorts and grinds them into crumble, and then returns them to the plastic manufacturer to be made into other new products.





PEN Products Staff Members Recognized

On May 10, 2011 at the Indiana Statehouse in Indianapolis, PEN Products staff member, Becky Deeb, was awarded the 2011 Governor's Public Service Achievement Award. As New Enterprise Development Manager, Becky's dedication to the mission of providing job opportunities, instilling a work ethic and enhancing job skills has brought nearly 400 jobs to correctional industries. Her efforts have not only helped offenders learn job skills and decreased the likelihood that they will return to prison one released, but also kept jobs in Indiana for private citizens.

Tanya Zimmerman was named the 2011 Industries Professional of the Year at the Commissioner's Luncheon in October 2011. In less than ten years, Tanya has been promoted from account clerk, to plant foreman to her current position of foreman supervisor at PEN Products' Miami Correctional operation.



During 2011 Tanya's talents were called upon in several areas. The everyday operation grew to more than 500 offender workers which stretched the role of Tanya's primary position inside the prison. At the same time, there was serious staff shortages in the accounting and business office due to key staff going on extended medical leave. Due to her accounting background Tanya was asked to help fill the void in the business office as well. She worked many late nights and weekends to see that this work was completed.

Tanya has also completed the National Institute of Corrections' Offender Workforce Development Specialist training program and became a certified OWDS trainer. This training was replicated in Indiana in early 2011 and Tanya was one of the key trainers of the training. This meant three full weeks away from her regular duties and a great deal of preparation to fulfill her role in the OWDS training.

Also in 2011, Tanya was very instrumental in the implementation of career resource centers and the first PEN "Career Housing Unit" at the Miami Correctional Facility. This housing unit opened August 29, 2011, thanks to the efforts of Tanya and the Career Housing Unit Team at the Miami Correctional Facility.

Tanya handles her regular duties with commitment and enthusiasm. Additionally, she handles all of the extra duties as a true professional and sets an example for other staff and offender workers. PEN Products applauds and respects Tanya for her integrity, commitment, dedication and stellar efforts.

rehabilitate

Restore (someone) to health or normal life by training and therapy after imprisonment, addiction, or illness.

250
Offender
Workers

5,000
Orders
Processed
Daily

1,300,000
Orders
Processed
Annually

Commissary & Distribution

Since August, 2009, PEN Products has been assembling AA and AAA batteries with a UPC code label for a distributor. Our offender labor averages 1,000 packages per month.

The PEN Products Distribution Center assembles and packs iCare packages, for ARAMARK, that the offenders' families order and purchase.

Since fiscal year 2008, the recycling program remanufactures approximately 32 tons of card board a month.

First introduced in fiscal year 2010, the INTouch program has been a success! The INTouch program provides a catalog to the offender population of items ranging from: teddy bears, flower gifts, candies, cookies, photo frames, mug sets, blankets, throws, bath and body sets, candles, jewelry, and children toys.

PEN Products Commissary warehouse picks, packs, and distributes all state forms for the Indiana state agencies.





Top Selling Items for Fiscal Year 2011:

- | | |
|--|-----------|
| 1. Ramen Noodles | 7,487,466 |
| 2. Hot Lil' Dudes, 1 5/8 oz. | 272,478 |
| 3. Chunk Lt. Tuna in Water, 4.23 oz. | 256,455 |
| 4. Refried Beans, 7 oz. | 255,914 |
| 5. Nacho Cheese Dip with Jalapeno, 4 oz. | 237,675 |



recover

To get back; regain.

PEN Products continues its emphasis to increase offender employment through joint ventures with private sector industry and under the Prison Industry Enhancement Certification Program (PIECP).

Joint Ventures include partnerships with private sector businesses to manufacture or assemble their product within the walls and fences of the Indiana Department of Correction and to perform services.

Joint Ventures

PIECP Programs

Administered by the Bureau of Justice Assistance within the U.S. Department of Justice, PIECP enables correctional facility administrators to establish joint ventures with private sector companies for the production of offender-made goods involved in interstate commerce. PEN Products has four active PIECP operations employing over 150 offender workers.

PIECP participation is an effective way to curb idleness among an ever-increasing prison population and a cost-effective means of providing offenders with marketable job skills. Additionally, taxpayers and the general public benefit from PIECP through reductions in incarceration costs, contributions to the Victims of Violent Crime Compensation Fund and deductions for federal, state, and local taxes.

The PIECP program was assessed by the Bureau of Justice Assistance and was found to be in full compliance with the PIECP guidelines.

Services

Work performed by offender workers on products for private sector companies that remain within the state are considered services.

Work performed as remanufacturing or repair work is also considered services. Offender employment in services reached over 500 offender workers.

New service added this year:

- Brake Remanufacturing - Correctional Industrial Facility

PEN Products welcomes new partnerships and the opportunity to work with private business.



PIECP Wages & Deductions

TOTAL	FY 2005	FY 2006	FY 2007	FY 2008	FY2009	FY2010
Total Man Hours Worked	357,241	351,067	318,081	255,810	198,006	209,948
Total Gross Wages Paid	\$2,469,535	\$2,440,241	\$2,303,335	\$2,018,158	\$1,554,441	\$1,744,218
Total Contributions to Victims' Programs	\$247,314	\$244,030	\$230,339	\$201,811	\$155,480	\$174,423
Total Federal Tax & Social Security Withheld	\$296,055	\$295,367	\$261,691	\$244,717	\$168,158	\$197,029
Total State & Local Tax Withheld	\$90,617	\$89,655	\$85,547	\$75,270	\$59,378	\$74,485
Total Deductions for Incarceration Costs	\$987,338	\$976,095	\$921,335	\$807,219	\$621,904	\$697,544



revitalize

To restore vitality or animation to.

Job Placement

PEN Products Job Placement Program continues to expand both geographically and the programs it offers to PEN's offender workforce. Job Placement, initiated in April 2008, is now reaching into the everyday workplace by providing career focused training. The career focus training is changing the mindset of offenders from a "get a job" to planning a career path. This is being accomplished through the implementation of the National Institute of Corrections, Career Resource Centers (CRCs). CRCs allow offenders to go through a structured program where they utilize assessment tools to assist in identifying what type of occupations would be the best fit for their particular skills and interests.

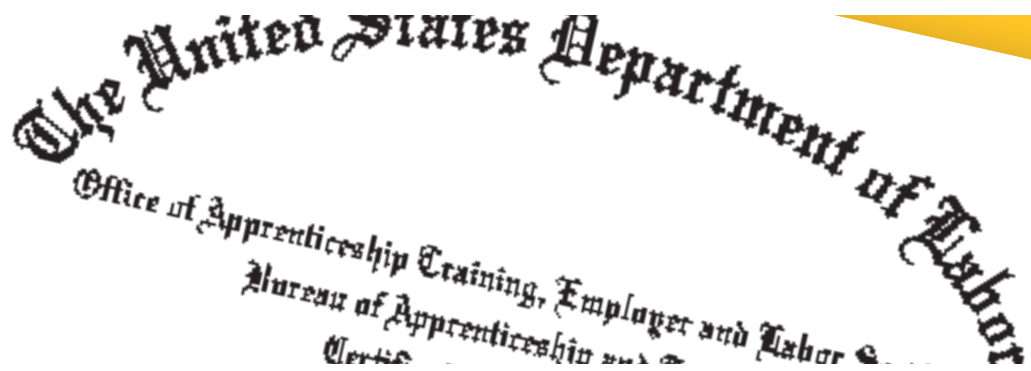
Career Path Planning workshops have also become a key part of Job Placement. The workshops are truly innovative as offenders and staff, participate side by side.

Job Clubs have been instituted at 12 of our manufacturing sites. Job Clubs are a series of modules that deal with various areas of re-entry as well as bringing outside business owners, human resource personnel and other post release service providers to speak to PEN's offender workers.

The mission of the PEN Products' Job Placement Program is to decrease recidivism by preparing offenders to successfully obtain and retain employment upon release. The foundation for all of PEN Products re-entry initiatives is the United States Department of Labor Apprenticeship program. All PEN offenders must enroll and participate in USDOL Apprenticeship. The structure of the on-the-job and related classroom training sets

the atmosphere for the other pieces of Job Placement training. The end product of Job Placement and Indiana's Correctional Industries program is an individual equipped to successfully enter today's workforce and become a productive citizen. The most recent statistics for the overall impact of this program are very encouraging with a current return rate of 19.6%.





Apprenticeship Programs

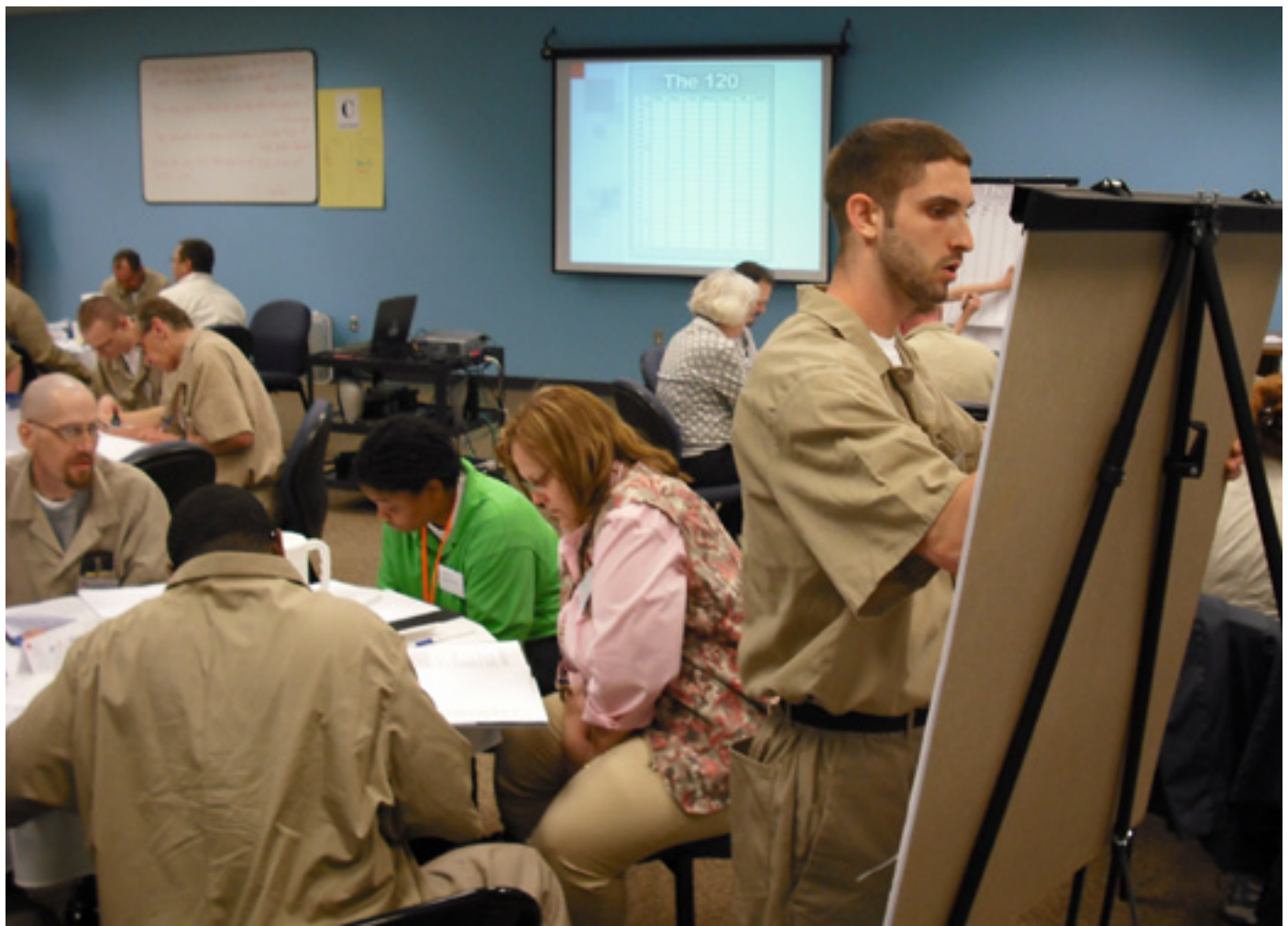
The USDOL Apprenticeship program is entering its sixth year and continues to show strong growth. Apprenticeship, which started with one registered occupation in April of 2006, is now operating throughout the Indiana Department of Correction (IDOC). Registered programs are operating in ARAMARK, PEN Products, ICAN, and at all levels of IDOC facilities. With successful completion of the program offering a 6 month time cut, the savings to the Department and Indiana's tax payers is in the millions of dollars and that does not include the taxes being paid back into the system by the ex-offenders who are now gainfully employed in our communities. Current enrollment is in excess of 2,500; additionally, there are a number of program graduates now working as journeymen and training other offender workers.

Indiana's Apprenticeship program continues to be a model throughout the nation. In 2011, Indiana has worked with a number of states who are implementing Apprenticeship. Indiana has supplied technical support, work processes, and related training materials to these states. Arkansas and Oregon traveled to Indiana to see the program first hand.

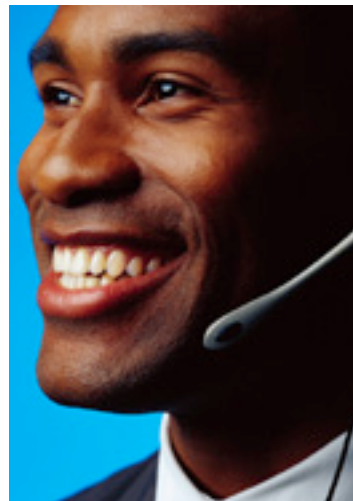
In April of 2011, PEN Products was asked by Commissioner Lemmon to oversee the entire USDOL Apprenticeship program. The Office of Apprenticeship was established and an executive directive written to help better guide the program. PEN Products now supplies direction, technical support and daily coordination for all IDOC programs. This has resulted in a streamlined electronic tracking system, standardization of occupations, and a set structure at each apprenticeship site. Additionally, the first IDOC audit team was developed to specifically monitor the USDOL Apprenticeship programs. The end result is a more uniform state wide program with a structure that maintains a high level of accountability.

Apprenticeship has become a key component of the Indiana Department of Correction's reentry programming.





Career Path Planning Classes are held quarterly for both staff and offenders to attend.



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reward

Something given or received in return for a deed or service rendered.



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